INSPECTOR GENERAL
U.S. Department of Defense

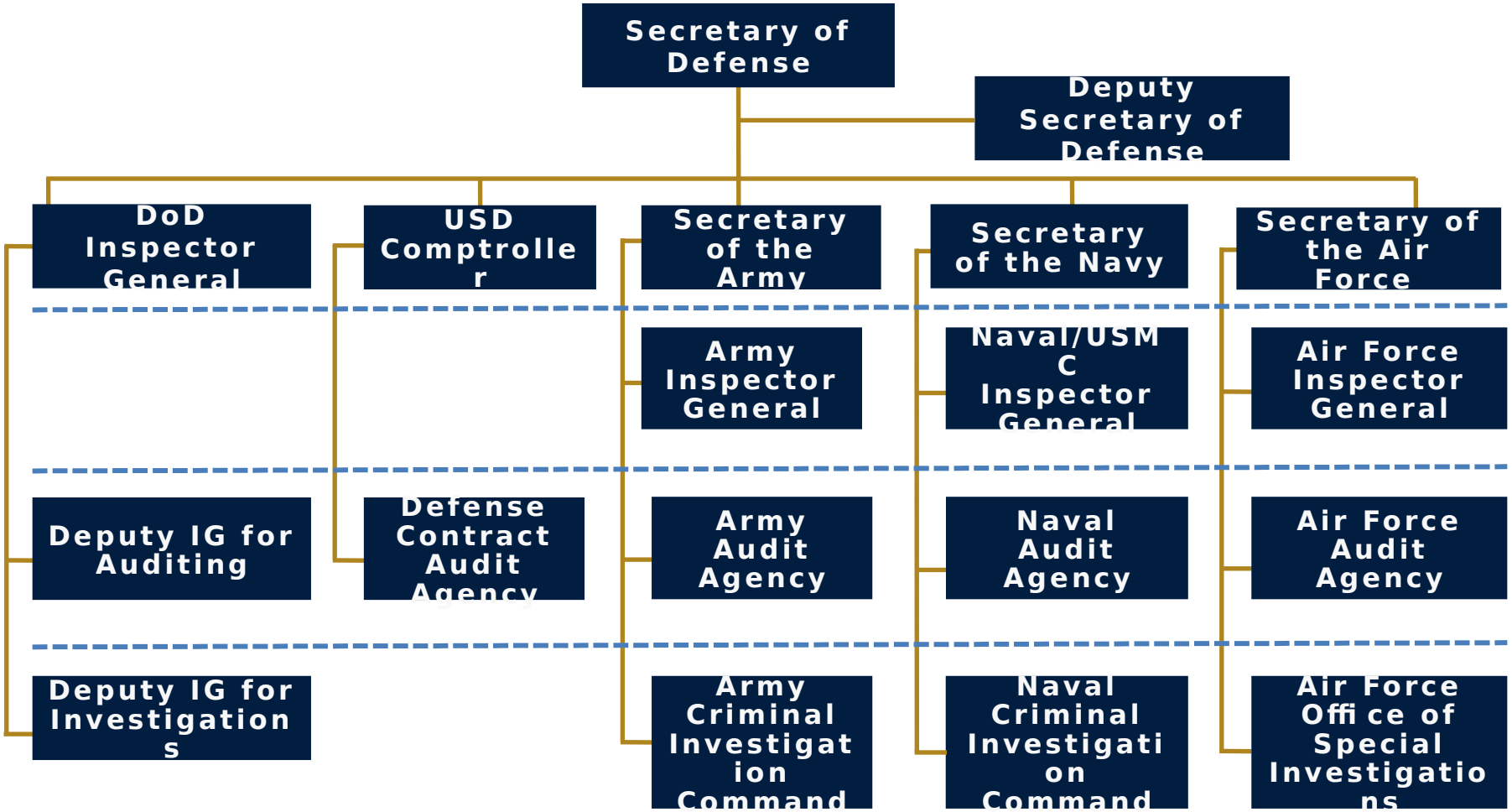
PRESENTED BY: THE HONORABLE JON T. RYMER August 5, 2014

2014 INSPECTOR GENERAL MARINE CORPS TRAINING SYMPOSIUM

DOD OIG AND THE IG COMMUNITY

- 72 statutory IGs
  - Governed by the IG Act which requires independence and objective of audits, investigations, and inspections
- Guided by a common set of principles
- Same standards for compliance
  - Adhere to all rules and laws allows for effectiveness and efficiency
- Single way to evaluate products

DEFENSE OVERSIGHT COMMUNITY



FINANCIAL MANAGEMENT AND AUDIT READINESS

- Top priorities for DoD OIG and the Department
  - Committed to assisting Department to achieve mandated readiness goals
  - Accurate, reliable and timely financial management information
- Challenges ahead to meet statutory deadlines
  - Audit Readiness
  - Acquisition Management
  - Right-sizing of the Department overall
- Requires a team effort and extensive cooperation

GAO AND DOD IG ROLES

- Achieve Auditable Financial Statements
- GAO relies on audit work and financial statements produced by Inspectors General
- Independent Public Accounting firms provide audit support to the OIG

STATUS OF AUDITABILITY EFFORTS

- Department continues to improve
- Auditing mission critical assets is essential
- DoD Comptroller issued Financial Improvement and Audit Readiness (FIAR) Plan
  - Defines goals, strategy, priorities, and methodology
  - Incorporates lessons learned from ongoing and prior financial audits
  - Addresses key internal controls
  - Provide adequate support for the value of assets

EXISTENCE AND COMPLETENESS

- Critical element to full financial statement audit readiness
- Primary focus is to determine and account for the number of mission critical assets
- Reliable information on where assets are located and operating condition
- DoD OIG issued six reports
- Continue to monitor progress

MARINES CORPS PROGRESS

- Unqualified Opinion of FY 2012 SBA
- Worked together to provide supporting documentation to the auditors
- Established a team dedicated to remediating auditor identified findings from the prior years' audits

FY 14 SBA AUDIT STATUS

- DFAS issued the contract to Grant Thornton
  - End date is April 2015 (approximately)
- Grant Thornton is the "auditor of record" for FY14
  - Will issue the opinion on the Marine Corps SBA
  - DoD OIG will oversee Grant Thornton

CHALLENGES REMAINING FOR MARINES CORPS

- Improve controls over financial reporting processes
- Substantive based audit approach is necessary
  - Larger sample size; increased workload
- The errors that did not impact the SBA could significantly impact the opinion on the SBR
- Remediation efforts are limited to known problems
  - Mostly impacts the SBA and the SBR
  - Remediation efforts need to be expanded

DOD CHALLENGES

- Aggressively pursuing improvements
- Data quality and timeliness
  - Necessary to make sound business decisions
  - Lack of adequate supporting documentation hampers opinion on financial statements
- Internal controls
  - Reasonable assurance for achieving effective and efficient operations
  - Reliable financial reporting
  - Compliance
  - Achieve results

ENTERPRISE RESOURCE PLANNING SYSTEMS

- Critical component of Department's auditable strategy
- Automated system that can perform a variety of business-related tasks
  - General Ledger accounting
  - Payroll
  - Supply Chain Management
- Current financial systems not designed to support various amount of material on financial statements
  - Prevents the Department from collecting and reporting financial and performance data that is accurate, reliable, and timely
- Continue to report on issues with ERPs

MOVING FORWARD – ACHIEVING RESULTS

- Improvements underway across Department
  - Much work remains to achieve auditable financial statements
  - Reliable systems and processes are in development
- Meeting the 2014 and 2017 deadlines will be a significant challenge
- DoD OIG is committed to working with the Department for auditable financial statements
- Americans need to know that the Department is committed to being good stewards of taxpayer dollars

QUESTIONS?

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